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Subject: Docket No. R-1723 and RIN 7100-AF94
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Regulation BB: Community Reinvestment Act

Docket No. R-1723 and RIN 7100-AF94

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<https://www.federalregister.gov/documents/2020/10/19/2020-21227/community-reinvestment-act>

Operation HOPE Response: Jena V Roscoe, 191 Peachtree Street NE, Atlanta, Georgia, 30303

A. Clarifying and expanding what qualifies for CRA credit

Question 23. Should adjustments to the recommended conclusion under the performance ranges approach be incorporated based on examiner judgment, a predetermined list of performance context factors, specific activities, or other means to ensure qualitative aspects and performance context are taken into account in a limited manner? If specific kinds of activities are listed as being related to “outstanding” performance, what activities should be included?

Question 57. What other options should the Board consider for revising the economic development definition to provide incentives for engaging in activity with smaller businesses and farms and/or minority-owned businesses?

Question 58. How could the Board establish clearer standards for economic development activities to “demonstrate LMI job creation, retention, or improvement”?

Question 60. Should the Board codify the types of activities that will be considered to help attract and retain existing and new residents and businesses? How should the Board ensure that these activities benefit LMI individuals and communities, as well as other underserved communities?

Question 62. Should the Board include disaster preparedness and climate resilience as qualifying activities in certain targeted geographies?

The proposed establishment of a list of criteria that would qualify for CRA credit is a significant improvement to the current CRA framework that is ambiguous as to what qualifies and what does not qualify for CRA credit. For nonprofits, like Operation HOPE, that provide financial literacy to school districts across the country, and that partner with financial institutions to deliver financial coaching via volunteers, a clear list of CRA-eligible activities is key to strategizing a way forward with its financial partners. HOPE's successful collaboration with banks to deliver financial education would remain CRA eligible under the proposed rule. However, by expanding what qualifies for CRA credit, HOPE and other economic nonprofits might strategize to expand its services in a myriad of ways to better serve the needs of their communities. Similarly, by erasing the guessing game on what will count and what will not count towards CRA credit, banks will undoubtedly do more, and will likely seek out nonprofit organizations to assist in their community outreach. These changes would address current impediments to engaging in CRA activities and provide banks with greater certainty and predictability regarding whether certain activities qualify for CRA credit.

In addition, HOPE strongly supports the proposed allowance for banks to seek agency confirmation for new activities. Operation HOPE, and other nonprofit peers, have numerous suggestions on activities that should become CRA-eligible. Operation HOPE in its initial response to Reforming the CRA Framework in 2018, suggested that financial recovery services for disaster victims regardless of geography, internship programs, and job creation programs be CRA eligible. The proposed rule does not go as far as to list such new areas of CRA eligible activities, but it leaves the door open for the possibility of such activities to qualify. The option to expand, in a formal way, the activities that garner CRA credit is an excellent step forward. To create a list that is a culmination of what other banks are doing also allows for learning and transparency that does not exist currently.

Expanding where CRA activity counts

To expand upon the assessment area to not only include the “facility-based” areas, but also to recognize the evolution of modern banking and include the

communities where banks receive large portions of their deposits is key to ensuring inclusivity of all communities. We firmly believe that the current CRA framework ignores large regions of the U.S. where bank branches do not exist. These ‘bank deserts’ are not currently eligible for CRA investment despite frequently being in low-to-moderate communities. Financial investment in these communities along with nonprofit organizations that serve these desert areas – whether they be rural or Indian Country – will now be eligible for CRA credit. This is especially important because these highly isolated areas are often where economically distressed populations live and where poverty persists—areas that acutely need the services provided by nonprofits and the lending and investment provided by the banking industry.

Overall, we firmly believe that this new assessment definition brings into the fold low-to-moderate income communities that are currently ineligible for CRA credit. The proposed rule encourages an expanded reach to the nation’s peripheral communities, increasing the footprint of social services and economic justice. We fully support bringing more financial lending, investment and economic services to additional underserved communities.

Providing an objective method to measure CRA activity

HOPE views this proposed change as a positive expansion to current credit measurement methodology, with an added acknowledgement of increased transparency. By providing a transparent and objective way to evaluate a bank’s CRA performance, we believe that the proposed rule will incentivize banks to engage in qualifying activities in their assessment areas and other underserved communities. A greater understanding about how engagement in specific activities will affect bank-level ratings will enable banks and other stakeholders, like Operation HOPE, to monitor CRA performance on an ongoing basis. If banks are able to target areas of need and engage in more qualifying activities than the recipients of those activities will benefit. From our perspective, this reform, like the expansion of the assessment area, will undoubtedly contribute to an increase in CRA-eligible activities in more underserved communities.

B. Revising Data Collection, Recordkeeping and Reporting

Question 29. What types of data would be beneficial and readily available for

determining whether deposit products are responsive to needs of LMI consumers and whether these products are used by LMI consumers?

Operation HOPE works with both large and small banks and has seen first hand the burden CRA reporting has on the smaller banks. The proposed rule would ensure that small banks are not overly burdened by the need to overhaul their existing systems or collect and report extensive data to comply with the new framework. This will be key in the implementation of any such proposed rule. In addition, the standardization of information required by the proposed rule will help banks better measure, assess and understand CRA activity across various areas and over time.

From a public perspective, the use of objective measures will allow performance evaluations to be done more efficiently and captured in shorter narratives which will result in more timely and useful public reporting. The current CRA framework does not allow stakeholders to track, monitor and compare banks' CRA performance. The proposed rule will hopefully rectify this and subsequently give greater transparency and accountability. We applaud this level of standardization and transparency.